

**MINUTES
of the
SECOND MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**July 24, 2015
New Mexico Mortgage Finance Authority Office
344 4th Street SW
Albuquerque**

The second meeting of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, vice chair, on July 24, 2015 at 10:08 a.m. in the New Mexico Mortgage Finance Authority (MFA) Office in Albuquerque.

Present

Sen. Nancy Rodriguez, Vice Chair
Sen. Lee S. Cotter
Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales
Rep. James Roger Madalena
Sen. Cisco McSorley

Absent

Rep. Alonzo Baldonado, Chair
Sen. Stuart Ingle

Advisory Members

Rep. Bealquin Bill Gomez
Sen. Richard C. Martinez
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla

Rep. George Dodge, Jr.
Rep. Jimmie C. Hall
Sen. Bill B. O'Neill
Sen. Sander Rue

Staff

Celia A. Ludi, Staff Attorney, Legislative Council Service (LCS)
Sharon Ball, Senior Researcher, LCS
Erin Bond, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Friday, July 24

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She announced that the committee's proposed work plan and schedule had been approved by the

New Mexico Legislative Council and that the new interim committee calendar, which will be updated biweekly, is available online, and members who prefer to receive paper copies in the mail should inform LCS staff.

The minutes from the June 11, 2015 meeting were approved without objection.

The chair recognized Jay Czar, executive director, MFA, for opening remarks. Mr. Czar informed the committee that after a nationwide search for a deputy director of programs, the MFA had retained Izzy Hernandez, former interim deputy director of programs. He also noted that the MFA will host discussions and tours regarding the federal low income housing tax credit (LIHTC) program for some congresspersons and their staffs. Finally, Mr. Czar reminded the committee of the upcoming fortieth anniversary open house celebration on September 17 after the committee meeting.

MFA 2016 Legislative Agenda — Introduction

Monica Abeita, MFA senior policy and program advisor, began by reviewing the 2015 legislation endorsed by the committee. Of 10 bills, one was not introduced and four were passed by both chambers and signed by the governor. Those four bills were one that amended the Affordable Housing Act; one that amended the Affordable Housing Tax Credit Act; and two appropriations to the MFA, one for oversight of the Affordable Housing Act and the other for oversight of the regional housing authorities.

Even though the MFA's oversight responsibilities are statutory, the oversight appropriations are not considered "recurring", so they have to be requested every year. Accordingly, the 2016 legislative agenda includes appropriations for those purposes again, as well as appropriations to the New Mexico Housing Trust Fund and for the MFA's low-income residential energy conservation and down payment assistance programs.

Ms. Abeita explained that the low-income residential energy conservation program, often referred to as the "weatherization" program, is one of the MFA's highest-demand programs statewide. Historically, the MFA received state appropriations for this program in addition to its core federal funding. In 2008, the MFA ceased making appropriations requests because it received additional federal funds through the American Recovery and Reinvestment Act of 2009 (ARRA). Since the ARRA funding concluded, the MFA has not been successful in reestablishing state support.

Ms. Abeita said Dan Puccetti, MFA director of housing development, would discuss the New Mexico Housing Trust Fund appropriation request in more detail.

The committee engaged in a brief discussion about the classification of appropriation requests as "recurring" or "nonrecurring".

MFA Single-Family Mortgage Products

Erik Nore, MFA director of homeownership, summarized the MFA's single-family mortgage products as falling into two broad categories: first mortgage loans and down payment assistance, each of which includes two separate programs.

First (as opposed to second) mortgage loans are provided through the "MortgageSaver" program, which funds first mortgages for single-unit, owner-occupied properties for first-time homebuyers who earn up to 115% of the area median income based on family size. The "HERO" program, which is not limited to first-time homebuyers, funds first mortgages for targeted public service occupations, including law enforcement and firefighter personnel, teachers and other educational employees and health care providers; recipients may earn up to 120% of the area median income based on family size and may use the loans to purchase single-unit, owner-occupied properties. In response to a question from a committee member, Mr. Nore said that the HERO program accounts for about 10% of the MFA's mortgage production.

Down payment assistance programs are the "Mortgage Booster" program, which loans up to \$8,000 as a second mortgage loan with a 30-year amortization at 6% interest, and a grant program that provides down payment assistance of up to 3.5% of the sales price and does not require repayment. Mr. Nore explained that the Mortgage Booster program is a revolving loan fund in which repayments are loaned out again to other borrowers. Ninety-eight percent of MFA loans include down payment assistance, with the average amount being \$5,500. For the last four or five years the repayments covered the expenditures, but with the recent uptick in housing purchases, the fund is being drawn down and needs additional funding sources. The MFA projects that demand for down payment assistance will increase in fiscal year 2016 by an additional 300 requests totaling \$1,650,000.

Mr. Nore informed the committee that pre-purchase homebuyer counseling through area federal Department of Housing and Urban Development-approved housing counselors is required for all first-time homebuyers. He provided demographic information about MFA homebuyers:

- 55% are single-parent households; a major reason for this is the low qualification ceilings on income because the income of a dual-income family usually is higher than the ceiling;
- 63% of MFA homebuyers are minorities;
- the average age is 34;
- 62% of MFA loans in 2014 were to first-time homebuyers age 33 and younger; of those, 44% were ages 25 to 29;
- the average credit score is 681, which is higher than the average for mortgages that are not funded by the MFA;
- the average home purchase price is \$125,225; and
- the average first mortgage loan amount is \$128,392.

Mr. Nore provided information from the Campbell/Inside Mortgage Finance HousingPulse Tracking Survey that indicated that in April 2015, first-time home purchases increased to the highest level in four years, and in May 2015, first-time homebuyers were 38.8% of all home purchasers.

New Mexico Housing Trust Fund Update

Mr. Puccetti summarized the current status of the New Mexico Housing Trust Fund. He said the current balance of the fund, which was created in 2005, is \$24.5 million, with approximately \$20 million currently allocated for affordable housing projects in 15 different counties. He noted that funding is available only for developers of affordable housing, not for individual homebuyers. To date, 76% of the loans have been for rehabilitation or new construction of multifamily housing, mostly for rental, although some developers do include housing for purchase.

Federal Housing Policy and Budget Trends

Ms. Abeita summarized the MFA's six federal priorities as follows:

- (1) protect housing bonds and the LIHTC in the tax reform process;
- (2) expand the LIHTC program by 50%, set the 9% and 4% interest rates so they do not fluctuate and give states the option to convert private activity bond authority into tax credits for affordable housing;
- (3) allow the Government National Mortgage Association (GNMA) securitization of multifamily risk-sharing loans;
- (4) restore funding for the federal HOME Investment Partnership program;
- (5) renew support for weatherization programs; and
- (6) sustain funding levels for affordable housing programs, which make up 20% of the MFA's resources.

Ms. Abeita commented that because the federal Budget Control Act of 2011 (often referred to as "sequestration") set caps on federal spending that make it difficult to sustain existing federal programs, Congress is being forced to make difficult decisions about what programs to cut.

In response to a committee member's question, Gina Hickman, MFA deputy director of finance and administration, answered that the recent Standard & Poor's (S&P) downgrade of government bonds had not had much effect on the MFA, because the collateral for the MFA's bonds had not changed; in fact, the MFA had just sold an old bond that was 2.5 times oversubscribed and included a couple of new investors who had not previously invested in New Mexico housing funds. Ms. Hickman also informed the committee that the MFA had changed to Moody's rating service because of service issues with S&P.

Adjournment

There being no further business before the committee, the second meeting of the Mortgage Finance Authority Act Oversight Committee for the 2015 interim adjourned at 11:49 a.m.